Banks responsible for sickness

4380. DR. BAPU KALDATE: Will the Minister of FINANCE be pleased to state;

v

(a) whether Government's attention has been drawn to the news item which appeared in the Pioneer dated the 24th January, 1995 under the heading 'Banks responsible for sickness';

(b) if so, what, are the details thereof and the reaction of Government in regard, thereto; and

(c) whether the BIFR has taken up the issue of financing the sick companies with his Ministry and if so, what are the details of the pro posal submitted by it and the deci sion taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) Yes, Sir.

(b) and (c) The Board for Industrial and Financial Reconstruction (BIFR) in its Review as on 31.12.1994 has, inter alia, mentioned that one of the constraints facing it is gretater reluctance on the part of banks to support sick companies in the wake of Reserve Bank of India guidelines on provisioning against non-performing assets and delays in release of working capital.

Under Section 19(2) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), a rehabilitation scheme requiring reliefs, concessions or sacrifices from banks and | or envisaging fresh financial assistance from banks is, inter alia, circulated to banks concerned for their asnsent. Banks give their consent to such schemes based on their commercial judgment. Section 19(3) of SICA provides that once a rehabilitation scheme has been sanctioned by the BIFR for revival of a sick industrial company, it i_s binding on all concerned, including the wanks. Section 33 of SICA vests sufficient powers with BIFR to deal with cases Of violation of any sanctioned scheme.

In respect of sick industrial com panies, where a scheme for rehabili tation is sanctioned by BIFR, banks provide facilities in terms of sanc tioned scheme. In case of other cases of sick industrial companies where BIFR is yet to take a decision, banks allow 'hoiding-on' operations and extend need-based support on a ease to case basis.

Cases of bank frauds

4381. PROF. VIJAY KUMAR MALHOTRA; Will the Minister of FINANCE be pleased to state:

(a) the number of cases of bank frauds detected in the country during 1994 and how do these compare with the cases in the preceeding three years;

(b) the amount involved in these frauds, year-wise;

(c) whether any investigation hive been carried out in these cases;

(d) if so, the outcome thereof and the action taken thereon; and

(e) the extent to which the cases have come down or are likely to come down during 1995?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) to (d): The number of bank frauds including frauds in overseas branches reported to the Reserve Bank of India (RBI) by the public sector banks and the amounts involved therein during the years 1991 to 1994 is as follows:

Yea r	No. of frauds	Amount invol ved (Rs. in lakhs)
1991	1559	6541.31
1992	1717	14449.10 + F. $ 1500
1993	2213	32032.43
1994	2266	20007.88 + U.Sh. 9844000

(Data provisional)

Whenever a fraud is detected by a bank or is brought to its notice, a preliminary investigation is made by the bank. Based on the findings, a decision is taken to conduct a thorough investigation departmentally or to hand over the case to the local police or to the CBI. According to the guidelines, normally cases

involving more than Rs. 1 lakh are to be referred to CBI for investigation. On the basis of enquiry reports received from internal enquiry, police or CBI, banks take regular de. partmental action and award punishment to the staff, who are found responsible for the frauds. The po-ice and the CBI also file criminal cases for prosecution in Courts.

The action taken against delinquent employees for frauds during the year 1994 (upto September) is as follows:

(i) No. of employees convicted	40
(ii) No. of employees given major/minor penalties	902
(iii) No. of employees dismissed/discharged/removed	265

(Data provisional)

(e) Although banks have implemented various preventive measures to minimise frauds it is difficult to predict the trend for 1995.

Discussion between Government and JCM

4382. SHRI KRISHAN LAL SHARMA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Gov ernment had recently discussed with JCM the subject of grant of D.A., fixation of pay and interim relief to the Central Government employees and pensioners;

(b) if so, the outcome of the dis cussion;

(c) whether it is aso a fact that, pending submission of report by Fifth Pay Commission, Government are considering to grant interim re lief to its employees amd pensioners;

(d) if so, by when a decision in this regard is likely to be announced; and

(e) by when the Commission is likely to submit its final report to the Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) and (b) Staff Side had, inter alia, raised the following demands in the National Council of JCM;